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4 Attorneys for Debtor

5  
6 UNITED STATES BANKRUPTCY COURT  
7 NORTHERN DISTRICT OF CALIFORNIA

8 IN RE: CASE NO. 08-12710  
9 TRUE SPIRITS, LLC, CHAPTER 11  
10 DEBTOR'S CHAPTER 11  
11 DEBTOR. / PLAN OF REORGANIZATION

12 TRUE SPIRITS, LLC, Debtor herein, proposes the following Plan  
13 pursuant to Chapter 11 of the Bankruptcy Code:

14 ARTICLE I

15 DEFINITIONS

16 For purposes of the Plan, the following terms shall have the  
17 meanings hereinafter set forth:

18 1.01. Allowed claim shall mean a Claim (a) in respect of  
19 which a Proof of Claim has been filed with the Court within the  
20 applicable period of limitation fixed by Rule 3001, or (b) scheduled  
21 in the list of creditors prepared and filed with the Court pursuant  
22 to Rule 1007(b) and not listed as disputed, contingent or  
23 unliquidated as to amount, in either case as to which no objection  
24 to allowance thereof has been interposed with any applicable period  
25 of limitation fixed by Rule 3001, or by Order of the Court, or as to  
26 which any such objection has been determined which is no longer  
27 subject to appeal or certiorari and as to which no appeal or  
28 certiorari proceeding is pending.

1           1.02.       Allowed Secured Claim shall mean the Allowed Claim  
2 secured by a lien, security interest or other charge against the  
3 property in which Debtor has an interest, or which is subject to  
4 setoff under Section 553 of the Code to the extent of the value  
5 (determined in accordance with 506(a) of the Code) of the interest  
6 of the holder of such Allowed Claim in the Debtor's interest in such  
7 property or to the extent of the amount subject to such setoff, as  
8 the case may be.

9           1.03.       Claim shall mean any right to payment, or right to an  
10 equitable remedy for breach of performance if such breach gives rise  
11 to a right to payment, against Debtor in existence on or as of the  
12 Petition Date, whether or not such right to payment or right to  
13 equitable remedy is reduced to judgment, liquidated, undisputed,  
14 legal, secured, unsecured, known or unknown.

15           1.04.       Class shall mean any class into which Allowed Claims  
16 or Allowed Interests are classified pursuant to Article III.

17           1.05.       Class 1 Claims, Class 2 Claims, Class 3 Claims,  
18 Class 4 Claims, Class 5 Claims, Class 6 Claims, Class 7 Claims,  
19 Class 8 Claims, Class 9 Claims, Class 10 Claims and Class 11  
20 Interests shall mean Allowed Claims and Interests so classified in  
21 Sections 3.01 through 3.11 respectively.

22           1.06.       Bankruptcy Code shall mean the Bankruptcy Code, 11  
23 U.S.C. section 101, et seq., and any amendments thereof.

24           1.07.       Bankruptcy Court shall mean the United States  
25 Bankruptcy Court for the Northern District Of California in which  
26 the Debtor's Chapter 11 case, pursuant to which the Plan is  
27 proposed, is pending and any Court having competent jurisdiction to  
28 hear appeals or certiorari proceedings therefrom.

1           1.08.       Confirmation Date shall mean the date upon which the  
2 Order of Confirmation is entered by the Court.

3           1.09.       Debtor means the Debtor in this Chapter 11 case.

4           1.10.       Market rate of Interest means the Federal Judgment  
5 Rate in effect on the Confirmation Date or such other rate of  
6 interest as the Court determines at the time of confirmation.

7           1.11.       Order of Confirmation means the Order entered by the  
8 Bankruptcy Court confirming the "Plan" in accordance with provisions  
9 of Chapter 11 of the Bankruptcy Code.

10          1.12.       Petition Date means December 17, 2008, the date of  
11 the filing of the voluntary petition.

12          1.13.       Plan means this Chapter 11 Plan, as may be amended or  
13 modified in accordance with the Code.

14          1.14.       Rules means Bankruptcy Rules, as amended and  
15 supplemented by the Suggested Interim Bankruptcy Rules, as adopted  
16 by the Court.

17                               ARTICLE II

18                               EXPENSES OF ADMINISTRATION

19          2.01.       Administrative expenses of Debtor's Chapter 11 case  
20 allowed pursuant to Section 503(b) of the Code shall be paid in full  
21 at the Confirmation Date unless otherwise Ordered by the Court, in  
22 cash, or upon such other terms as may be agreed upon by the holder  
23 of such claims and Debtor. Any fees due the U.S. Trustee and unpaid  
24 on the Confirmation Date shall be paid in full on or before the  
25 Confirmation Date.

26                               ARTICLE III

27                               CLASSIFICATION OF CLAIMS

28          The Claims are classified as follows:

1           3.01.       Class 1 Claims.   Allowed claims entitled to priority  
2 pursuant to Section 507 of the Code.

3           3.02.       Class 2 Claims.   Allowed secured claims of the County  
4 of Sonoma based upon the secured tax roll

5           3.03.       Class 3 Claims.   Allowed secured claim of First  
6 Community Bank secured by real property located at 4950 Ross Rd.,  
7 Sebastopol, California.

8           3.04.       Class 4 Claims.   Allowed secured claim (2<sup>nd</sup>) of Bay  
9 Area Development secured by real property located at 4950 Ross Rd.,  
10 Sebastopol, California.

11          3.05.       Class 5 Claims.   Allowed secured claim (3<sup>rd</sup>) of Roger  
12 Gadow secured by real property located at 4950 Ross Rd., Sebastopol,  
13 California..

14          3.06.       Class 6 Claims.   Allowed secured claim (4<sup>th</sup>) of Mark  
15 Ciddo secured by real property located at 4950 Ross Rd., Sebastopol,  
16 California.

17          3.07.       Class 7 Claims.   Allowed secured claim of Pinnacle  
18 Leasing secured by equipment, tractor, press, ozone machine,  
19 labeling machine.

20          3.08.       Class 8 Claims.   Allowed secured claim of Mark Ciddo  
21 secured by equipment.

22          3.09.       Class 9 Claims.   Allowed claims of creditors other  
23 than those holding allowed Class 1 Claims, Class 2 Claims, Class 3  
24 Claims, Class 4 Claims, Class 5 Claims, Class 6 Claims, Class 7  
25 Claims, Class 8 Claims, Class 10 Claims and Class 11 Interests,  
26 including, but not limited to, whose claims may arise out of the  
27 rejection of executory contracts and secured creditors to the extent  
28 that the Court finds the same unsecured in whole or in part.

1           3.10.       Class 10 Claims.   Allowed claims of creditors other  
2 than those holding allowed Class 1 Claims, Class 2 Claims, Class 3  
3 Claims, Class 4 Claims, Class 5 Claims, Class 6 Claims, Class 7  
4 Claims, Class 8 Claims, Class 9 Claims and Class 11 Interests, whose  
5 claims may arise out of the rejection of executory contracts and  
6 secured creditors to the extent that the Court finds the same  
7 unsecured in whole or in part and which creditors are insiders of  
8 the Debtor herein.

9           3.11.       Class 11 Interests.       Allowed interests of  
10 shareholders of Debtor herein.

11                               ARTICLE IV

12                               CLAIMS NOT IMPAIRED UNDER THE PLAN

13           4.01.       Allowed expenses of administration are not impaired.  
14 Allowed expenses of administration shall be paid in cash and in full  
15 upon the effective date of the Plan.

16  
17                               ARTICLE V

18                               TREATMENT OF IMPAIRED CLASSES OF CLAIMS

19           5.01.       Class 1 Claims are impaired.   Holders of allowed  
20 Class 1 Claims shall be paid in twenty four equal monthly  
21 installments of principle and interest at the statutory rate  
22 following the effective date of the Plan.

23           5.02.       Class 2 Claims are impaired.   Holders of allowed  
24 Class 2 Claims shall be placed on a five year plan as provided under  
25 California law.   Such holders shall retain its lien on the  
26 collateral.

27           5.03.       Class 3 Claims are impaired.   Holders of allowed  
28 Class 3 Claims shall be paid the amount of its secured claim in full

1 in equal monthly installments of principle and interest at the  
2 market rate based upon a 30 year full amortization commencing on the  
3 first day of the month following the effective date of the Plan.  
4 Such holder shall retain its lien on the collateral.

5 5.04. Class 4 Claims are impaired. Holders of allowed  
6 Class 4 Claims shall be paid the amount of its secured claim in full  
7 in equal monthly installments of principle and interest at the  
8 market rate based upon a 30 year full amortization commencing on the  
9 first day of the month following the effective date of the Plan.  
10 Such holder shall retain its lien on the collateral.

11 5.05. Class 5 Claims are impaired. Holders of allowed  
12 Class 5 Claims shall be paid an amount equal to such holder's  
13 interest in the Debtor's interest in the collateral in equal monthly  
14 installments of principle and interest at the market rate based upon  
15 a 25 year amortization commencing on the first day of the month  
16 following the effective date of the Plan. Such holder shall retain  
17 its lien on the collateral for the secured portion of its allowed  
18 claim.

19 5.06. Class 6 Claims are impaired. The secured claim of  
20 holders of allowed Class 6 Claims shall be determined pursuant to 11  
21 U.S.C. Section 506. To the extent such holder has a secured claim,  
22 such holder shall be paid an amount equal to such holder's interest  
23 in the Debtor's interest in the collateral at the market rate of  
24 interest in monthly installments of principle and interest based  
25 upon 30 year amortization. The right of Debtor or any other party  
26 interest to obtain a determination of subordination pursuant to 11  
27 U.S.C. Section 510(b) is specifically reserved. To the extent such  
28 holder's interest in the collateral is not subordinated, such holder

1 shall retain its security interest in the collateral.

2       5.07.       Class 7 Claims are impaired.   Holders of allowed  
3 Class 7 Claims shall be paid an amount equal to such holder's  
4 interest in the Debtor's interest in the collateral in monthly  
5 installments of principle and interest at a market rate based upon  
6 a 5 year full amortization. Said payments shall commence on the  
7 first day of the month following the effective date of the Plan.  
8 Such holder shall retain its security interest in the collateral

9       5.08.       Class 8 Claims are impaired.   Holders of allowed  
10 Class 8 Claims shall be paid an amount equal to such holder's  
11 interest in the Debtor's interest in the collateral in monthly  
12 installments of principle and interest at a market rate based upon  
13 a 30 year amortization. Debtor and any other party in interest  
14 shall retain rights to request subordination of such claim pursuant  
15 to 11 U.S.C. Section 510(b). Such holder shall retain its security  
16 interest in the collateral to the extent of the secured portion of  
17 such claim and subject to the rights of parties in interest,  
18 including Debtor, to request subordination.

19       5.09.       Class 9 Claims are impaired.   Holders of allowed  
20 Class 9 Claims shall be paid the aggregate sum of \$248,000 in 84  
21 equal monthly installments without interest. Such payments shall be  
22 disbursed on a prorata basis to such holders on a quarterly basis or  
23 more frequently.

24       5.10.       Class 10 Claims are impaired.   Holders of allowed  
25 Class 10 Claims shall be paid the aggregate sum of \$100,000 in 90  
26 monthly installments commencing on the 85<sup>th</sup> month following the  
27 effective date of the Plan. The claims of such holders shall be  
28 subordinated to all other allowed claims in the case and shall not

1 be paid any distribution until Class 9 Claims are paid in full as  
2 herein above provided. Such holders shall have an option on the 1<sup>st</sup>  
3 anniversary of the Effective Date of converting such subordinated  
4 claim to equity.

5 5.11. Class 11 Interests are impaired. Holders of allowed  
6 Class 11 Interests shall retain such interests subject to the terms  
7 of the Plan provided that additional operating capital is  
8 contributed by such holders in the aggregate amount of \$125,000  
9 prior to the 1<sup>st</sup> anniversary of the Effective Date of the Plan. The  
10 property of the estate shall revert in the Debtor on the effective  
11 date of the Plan subject to the terms of the Plan.

## 12 ARTICLE VI

### 13 TREATMENT OF EXECUTORY CONTRACTS

14 6.01. Executory Contracts Assumed. Debtor assumes the  
15 services and storage contracts with customers.

16 6.02. Equipment Lease. Debtor contends that the equipment  
17 Lease with Pinnacle Leasing is not a true lease, but a financing  
18 agreement, but to the extent that the negotiated terms are a true  
19 lease, Debtor assumes same.

20 6.03. Executory Contracts Rejected. Debtor rejects all  
21 other executory contracts.

## 22 ARTICLE VII

### 23 MEANS FOR THE PLAN'S EXECUTION

24 7.01. Debtor shall continue to operate its custom wine  
25 making, storage and distribution business at its present location  
26 with its current employees.

27 7.02. Debtor shall continue to market its new product  
28 through standard alcoholic beverage distribution means.



1           7.03.       From the proceeds of sale of the products and  
2 services, Debtor will pay in monthly installments claims commencing  
3 on the first day of the month after the effective date of the Plan  
4 and as provided herein as follows:

5                   a.    A five year tax Plan with the County of Sonoma  
6 to retire the balance due on the secured tax roll;

7                   b.    The amount due, if any, on taxes which are  
8 entitled to a Section 507 priority;

9                   c.    A payment to the holder of the allowed Class 3,  
10 4, and 7 Claims as herein provided.

11          7.04.       Debtor shall deposit a sum equal to 1/84th of the  
12 aggregate sum of \$248,000 into a disbursing account each month  
13 commencing on the Effective Date of the Plan. Disbursements shall  
14 be made from such account to holders of allowed Class 9 Claims on a  
15 prorata basis on a quarterly or more frequent basis.

16          7.05.       Debtor shall solicit equity investment in the entity  
17 and may dilute the present equity by as much as 80% to obtain  
18 additional capital. Said additional capital shall be invested on  
19 account of Class 10 Interests in a sum no less than \$125,000.

20          7.06.       Debtor shall request a determination of the value of the  
21 collateral of Class 3, Class 4, Class 5, Class 6 and Class 8 Claims  
22 pursuant to Section 506 of the Code. The Motion shall be filed on  
23 or before thirty (30) days following the Effective Date.

24          7.07.       No party shall take any action against the Debtor,  
25 his assets, or assets of the estate inconsistent with the terms of  
26 the within Plan.

27          7.08.       Debtor shall continue to operate its business of  
28 custom wine making and wine making of grapes purchased. Debtor

1 shall continue to sell such product on the bulk market, through  
2 brokers and distributors and direct sales. Debtor shall continue to  
3 market its product produced from grape as a substitute for distilled  
4 alcohol through distributors.

5 7.09. The Debtor shall comply with post confirmation  
6 reporting requirements to the U.S. Trustee and payment of U.S.  
7 Trustee fees post confirmation until entry of Final Order as  
8 required by law. Nothing contained in the Plan shall impose or  
9 expand the requirements for reporting and payment of fees as set  
10 forth by statute and/or case law. In the event the case is  
11 converted to a case under Chapter 7, the assets shall revert in the  
12 Chapter 7 estate. Debtor shall be the disbursing agent absent  
13 appointment of another person or entity by the Court at the time of  
14 confirmation.

15 7.10. Debtor may object to claims as appropriate and all  
16 rights of counterclaim and setoff as to any party filing a claim  
17 against the estate are specifically reserved.

## 18 ARTICLE VIII

### 19 RETENTION OF JURISDICTION

20 8.01. Notwithstanding Confirmation of the Plan, the Court  
21 shall retain jurisdiction for, inter alia, the following purposes:

22 1. Determination of the allowability of claims, or  
23 interests, upon objection to such claims by the Debtor based upon  
24 any provision of law, including, but not limited to any right of set  
25 off, counterclaims, statute of limitations, and any and all defenses  
26 thereto;

27 2. Determination of the validity, priority and extent of  
28 liens under any applicable provision of law, including, but not

1 limited to Rules of Professional Conduct and determination of value  
2 of collateral under Section 506 of the Code;

3           3. Determination of requests for payment of claims  
4 entitled to priority under Bankruptcy Code Section 507(a)(1),  
5 including compensation of parties entitled thereto;

6           4. Resolution of any disputes regarding the  
7 interpretation of the Plan;

8           5. Implementation of the provisions of the Plan and  
9 entry of Orders in aid of confirmation of the Plan, including  
10 without limitation, appropriate orders to protect the Debtors from  
11 creditor actions, approval of sale of property, orders for sale free  
12 and clear of liens and interests;

13           6. Modification of the Plan pursuant to Section 1127 of  
14 Title 11;

15           7. Determination of reasonableness of any attorneys fees  
16 and charges claimed by any creditor;

17           8. Avoidances of avoidable transfers pursuant to the  
18 Bankruptcy Code and recovery of improper post petition transfers,  
19 and any reserved cause of action;

20           9. Determination of secured status, extent of secured  
21 status, and Debtor's right to recover expenses from property  
22 securing claim pursuant to Bankruptcy Code Section 506;

23           10. Enforcement of all stipulations entered into by the  
24 Debtor in possession and Orders and Judgments made by the Court;

25           11. Collection of any sums due the Debtor from other  
26 parties or from any other source;

27           12. Determination of value of collateral pursuant to  
28 Section 506 as herein provided.

1           13. Subordination of claims under Section 510 of the  
2 Code, including, but not limited to Class 6 and Class 8 Claims.

3           14. Determination of rights and causes of action reserved  
4 to the Debtor as provided herein; and

5           15. Entry of final decree.

6                           ARTICLE IX

7                           EFFECT OF CONFIRMATION

8           9.01. Confirmation of the Plan shall have the effect set  
9 forth in Bankruptcy Code Section 1141. The rights afforded herein,  
10 and the treatment of all claims and interests as set forth herein,  
11 shall be in full exchange for, and in complete satisfaction,  
12 discharge and release of, all claims and interests of any kind or  
13 nature whatsoever, whether known or unknown, matured or contingent,  
14 liquidated or unliquidated, existing, arising or accruing, whether  
15 or not yet due, prior to the Effective Date, including without  
16 limitation any claims or interest on claims, accruing on or after  
17 the commencement of the case against the Debtor, the estate, or  
18 assets or property thereof. Except as, and to the extent, expressly  
19 provided in the Plan or the Confirmation Order, at all times on and  
20 after the Effective Date, (a) all such claims against, and interests  
21 in, the Debtor or the estate shall be deemed fully and finally  
22 satisfied, discharged and released; (b) all persons shall be fully  
23 and finally barred, enjoined and precluded from asserting against  
24 the reorganized Debtor or its assets, any claims or interests based  
25 upon act or omission, transaction, agreement, right, privilege,  
26 duty, entitlement, obligation or other event or activity of any kind  
27 or nature whatsoever that occurred prior to the Effective Date; and  
28 (c) all claims and interests shall be fully and finally discharged

1 as provided in said Section 1141 of the Bankruptcy Code.

2 ARTICLE X

3 ALTERATION OF RIGHTS OF THIRD PARTIES

4 10.01. Except as expressly stated in the Plan, nothing  
5 contained in the Plan or any action taken hereunder alters the  
6 rights of holders of claims or interests under Bankruptcy Code  
7 Sections 510(a) or 524(a). Except as expressly stated in the  
8 Plan, holders of secured claims shall retain their liens on the  
9 Debtor's assets to the extent of the allowed amount of such claim.

10 ARTICLE XI

11 MISCELLANEOUS

12 11.01. Notice. All notices required or permitted to be made  
13 in accordance with the Plan or by the Code shall be in writing and  
14 shall be delivered personally, or by First Class mail:

15 a. To Debtor:

David N. Chandler  
David N. Chandler, p.c.  
1747 Fourth Street  
Santa Rosa, CA 95404

18 b. To the Holder of an Allowed Claim, at the  
19 address set forth in the Allowed Proof of Claim, or if none, at the  
20 address set forth in the Schedules prepared and filed with the Court  
21 pursuant to Section 1007(b).

22 11.02. Effective Date. For purposes of all determinations  
23 to be made pursuant to the Bankruptcy Code in respect to the Plan or  
24 any Claim or Interest, the "effective date" of the Plan shall be  
25 sixty (60) days following the date the Order of Confirmation  
26 becomes final.

27 11.03. Reservation of Rights. Neither the filing of this  
28 Plan nor any statement or provision contained herein, shall be or be

1 deemed to be an admission against interest.

2 ARTICLE XII

3 CONFIRMATION REQUEST

4 12.01. TRUE SPIRITS, LLC, Debtor herein, requests  
5 Confirmation of the Plan pursuant to Section 1129(b) of the  
6 Bankruptcy Code.

7  
8 Dated: 2/19/10

DAVID N. CHANDLER, p.c.

9  
10 By: /s/David N. Chandler  
11 DAVID N. CHANDLER,  
12 Attorney for Debtor  
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# LIQUIDATION ANALYSIS

<u>Asset</u>	<u>Value</u>	<u>Encumbrance</u>	<u>Net</u>
4950 Ross Rd. Sebastopol, CA	\$2,980,000	\$3,435,000	-0-
Account Receivable	110,000	-0-	110,000
Trailer	1,000	-0-	-0-
Office equip.	1,000	-0-	1,000
Audio System	500	-0-	500
Tractor/attachments	18,000	18,000	-0-
Winery Equipment	150,000	-0-	150,000
Bulk wine	165,000	-0-	165,000
Lab Equip.	500	-0-	500
			<hr/> \$427,000

Net Liquidation Value 427,000

Expenses of Adm. (Est.)		
Attorney fees	\$53,000	
Accounting	16,000	
Trustee	24,500	
Brokerage		
Inventory	16,500	
Tax on Sale	4,300	
Priority	<u>23,000</u>	<u>(137,300)</u>
		\$292,700